GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3955
ANSWERED ON:17.08.2001
CITY COOPERATIVE BANK
RENU KUMARI SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the inquiry into the status and accounts of the City Cooperative Bank, Lucknow has revealed large scale irregularities committed by it including the violations of RBI directives for investments, advances and returns of the bank

(b) if so, the details thereof: and

(c) the action taken by the RBI in this regard.

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): Yes, Sir. Reserve Bank of India (RBI) has reported that the scrutiny of books of accounts of the City Co-operative Bank Ltd., Lucknow, has revealed several irregularities in its operations. These induded lack of documentary evidences for investments to the tune of Rs.2140.56 lakhs and misutilisation of the money by a Director of the bank, non-production of fixed deposit receipts, non-framing of loan policy, granting of ad vances against shares In excess of the ceiling of Rs.I0.00 lakh, violation of RBI directives on unsecured advances, unsatisfactory liquidity position of the bank, heavy reliance on institutional deposits, circumventing the Cash Reserve Ratio (CRR), absence of the system.of concurrent audit, violation of RBI guidelines on income recognition, asset classification and provlsioning, etc.

(c): With a view to prevent preferential pavrnent to depositors and to contain the run on the bank, RBI has issued a directive under Section 35 (A) of the Banking Regulation act, 1949 (As Applicable to Cooperative Societies) to the bank on March 22, 2001 directing it not to accept fresh deposits or give fresh loans and not to repay more than one thousand rupees to any ,single depositor. The Registrar of Cooperative Societies, Uttar Pradesh was requested to supersede the Board of management of the bank and to appoint an Administrator for securmg proper management by invoking the provisions of Sub-section, (iii) of Section 90B of the V.P. Co-operative Societies Act, 1965. Accordingly, the Registrar of Co-operative Societies issued an order on 9th April, 2001 superseding the Board and appointing the District Magistrate, Lucknow as the Administrator of the bank. RBI has also filed a criminal complaint against the Chairman, Directors and the Chief Executive Officer of the bank in the Court of Judicial Magistrate, Lucknow on April 3. 2001